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# **An Economic Study of India with Special Reference to the Agriculture**

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## ABSTRACT

Having a secure food supply and a well-developed agricultural industry is essential in today's world. For a country to advance economically, it must have a robust agricultural sector. Aside from food, agriculture supplies raw materials for manufacturing, jobs for people, and many other benefits. As a result, progress in this area assures that the economy and other industries grow. Credit and government spending are essential to achieving agricultural development in every country. The government is doing all it can to support the agricultural sector and the economy. Several organizations and agencies focus on this issue. They include NABARD regarding financial facilities, the Ministry of Agriculture, and the Farmers Welfare Board regarding overall sector spending. Agriculture credit and expenditure in India are examined in this article. There are two primary sections to this study. The impact of agricultural lending on the economy is the topic of the first section. According to agriculture's contribution to the economy, government spending on agriculture is highlighted in this section.

**Keywords:** Agricultural development, NABARD, Ministry of Agriculture, Farmers' welfare

## I. INTRODUCTION

The ongoing expansion of agriculture ensures the steady growth of the economy. Agriculture contributes significantly to national income and economic growth in countries like India, which is still in its early stages of development. Agriculture became an essential source of revenue after the country's independence. It was responsible for about half of the country's income, and 72% was employed (Tripathi and Prasad, 2010). In addition, other sectors and international trade benefit from the agricultural industry and GDP. As of 2019, 42.59 percent of India's population was employed in agriculture, demonstrating the importance of this industry for the employment of people in the country. In 2020-2021, agriculture's GDP share was 19.9%, contributing to India's economic expansion. The economy relies heavily on agriculture and the exports it generates. Therefore, it must have a strong foundation if it is to grow. Exports of agricultural products totaled \$3.50 billion in March-June 2020, contributing to the economy's growth. Agriculture's place in the economy has changed over time, but it will always be an essential sector for its growth and development in developing countries like India. Therefore, there should be a strong focus on this sector's development and support in every available way by the government.



## II. REVIEW OF LITERATURE

Dynamic Panel data analysis with the aid of instrumental variables utilizing Arellano-Bond Regression was used to examine the relevance of credit in agriculture and its impact on productivity concerning its distribution, regional imbalances, and other factors. Using a direct type of credit was considerably more effective for output and had an immediate beneficial impact. A positive development might be noticed over time in the case of indirect credit. Agriculture was the subject of a comprehensive investigation by Tripathi and Prasad (2010). Since independence, agriculture's development was examined in terms of performance, progress over time, and the factors influencing it. They turned to decomposition analysis for clarification when it came to agricultural production. Urbanization necessitates adaptation, as Hussain and Hanisch (2014) explain. They used a case study of 120 farmers in Hyderabad, India, to demonstrate farmers' ability to adjust to changing conditions. Due to rising expenses, farmers are forced to increase fertilizer, hurting the environment. A study by Pattanayak and Mallick(2017) used econometrics to examine the relationship between agricultural productivity and economic development using time series data from 1991 to 2012. The growth regression model was utilized as log-linear.

The most important discovery is that economic growth slows as manufacturing declines. They recommended that farmers be adequately trained, upgrade storage facilities, and increase marketing to increase production. Gulati and Juneja(2019) delved deep into India's agricultural finance market. They looked at how farming laws, institutions, and resources have evolved over time to gauge their usefulness and potential for innovation. Self-help organizations and credit cards like Kisan credit cards have been introduced. Joghee(2020) looked at how financial support for small farmers helps the sector. According to his research, as long as commercial banks regularly lend to small farmers. A rise in spending on agricultural inputs and services over the years is a good thing, but more should be invested in R&D. (Rajesh et al. 2020).

## III. RESEARCH DESIGN

This paper has used both qualitative and quantitative aspects of research.



## IV. OBJECTIVES

1. To analyze the importance of providing credit facilities to farms for agricultural growth.
2. To study the relationship between agricultural development and expenditure.

## V. SOURCES AND STUDY AREA

Only trustworthy sources are used, such as research papers, government websites, and books. There is a detailed reference section at the end of the article. However, the paper is only a rehash of something already written. The study aims to determine how government spending and access to credit affect agricultural growth and the economy.

## VI. RELATIONSHIP BETWEEN AGRICULTURAL CREDIT AND ECONOMIC GROWTH

Credit in agriculture is critical since not all farmers can afford the high-cost machinery, fertilizers, seeds, etc. are necessary to run a successful farm. Since the farmers would have to turn to non-institutional means if they could not get loans from institutional sources, accurate loan disbursement is critical.

**Table 1: Target and achievement of credit by Banks given by the government for three years (in crores)**

Year	Target set	Achieved amount	Percentage of Achievement	% Agriculture in GDP.
2016-17	9,00,000	10,65,755.67	118.42	16.36380044
2017-18	10,00,000	11,62,616.98	116.26	16.3578103
2018-19	11,00,000	12,54,762.20*	114.06	15.40672606

*\*provisional*

**Source:** ( Press Information Bureau, Government of India, Ministry of Finance 2019 and World Development Indicators)

As shown in Table 1, the percentage of the agricultural sector's GDP achieved each year corresponds to the various targets set for giving loans to farmers for growth in the farming industry. It was thought that agriculture had a significant impact on GDP in 2016-2017 since the achievement ratio of targets was



high, at 118.42 percent in that year. It was a successful year because we exceeded our goals. This means that next year's goal will be 10,00,000 crore rather than the current 9,00,000 crore. But this time, only Rs. 11,62,616.98 crore was achieved, barely exceeding the goal. As a result, in 2017-18, just 116.26 percent of students met their goals. Because of the impact of agricultural loans, agriculture's share of GDP decreased slightly but stayed at 16.3578103 percent. Developing economies like India rely heavily on agriculture. Banks have set a lofty goal of Rs. 110,000 crores for 2018-2019 to spur economic growth and productivity in the sector. The pre-achievement total was Rs. 1,254,762.20 crore or 114.06 percent. Despite this, the agriculture sector made up only 15.40672606 percent of GDP.

## VII. RELATIONSHIP BETWEEN AGRICULTURAL EXPENDITURE AND DEVELOPMENT

For the economy to grow, administrators must rely heavily on government spending, including agricultural development. This sector's expansion and increased production ensure people's well-being (Chandler et al., 2016). However, the amount of money allocated by the government in various programs and the amount of money that has been spent are vastly different. Since the government significantly impacts agricultural growth and general economic development, it is essential to examine how much money is spent on the industry. The government's Ministry of Agriculture and Farmers' Welfare takes care of all the sector's expenses.

**Table 2: Year-wise Outlay and Expenditure by Departments under the Ministry of Agriculture & Farmers Welfare (Rs. Crore)**

Year	DAC&FW			DARE			Percentage share of agriculture and allied activities in GDP
	Total Estimated Budget	Revised Estimated Budget	Actual expenditure did*	Total Estimated Budget	Revised Estimated Budget	Actual expenditure done	
2009-2010	11915.22	12116.63	11934.99	3241.40	3261.36	3210.42	16.7442702
2010-2011	15647.97	17695.48	17333.68	3818.05	5165.00	5385.83	17.026509
2011-2012	17522.87	16825.31	16753.10	4957.60	5007.60	4729.31	17.1919704
2012-2013	20530.22	18173.94	18028.38	5392.00	4620.00	4509.75	16.8453771



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2013-2014	21933.50	19306.82	19027.58	5729.17	4881.08	4730.76	17.1484235
2014-2015	22652.25	19852.00	19513.58	6144.39	4884.00	4840.01	16.7919345
2015-2016	17004.35	15809.54	15333.92	6320.00	5586.00	5572.90	16.1745084
2016-2017	35983.69	39840.50	37029.81	6620.00	6238.00	5995.2	16.3638004
2017-2018	41855.00	41105.00	37538.77	41855.00	41105.00	37538.77	16.3578103
2018-2019	46700.00	67800.00	46583.50	7800.00	7952.73	7943.59	15.4067261
2019-2020	130485.21	106711.98	62090.10**	8078.76	-	8078.76	16.0150779

*Source: Directorate of Economics and Statistics and World Development Index*

*\* Actual expenditure is unadjusted for recoveries \*\* As of 30.11.2019 (Provisional), # Expenditure up to 31.10.2019, DAC&FW: Department of Agriculture, Cooperation & Farmers Welfare, DARE: Department of Agricultural Research and Education*

Table 2 shows the escalation in spending over a decade. Expenditures have been rising steadily. Both DAC&FW and DARE spent less than Rs. 2 crores between 2009 and 2015, while DARE spent less than Rs. 6 crores. All these years, the agricultural sector's share of GDP maintained between 16 and 17 percent (WDI). As a result of the more incredible wealth generated by other sectors, this sector's share of GDP is relatively small. However, it is possible that if the correct investment is made in agricultural advancement and mechanization and the education of farmers, the economy will benefit.

## CONCLUSION

The key conclusions are that the government's initiatives to help agriculture in these roles are significant. As a result of the government's spending under the Ministry of Agriculture and Farmer Welfare, the agricultural industry has seen significant growth. Analyzing the data shows that the government must significantly boost its loan facilities and expenditures for farmers. Obstacles to agricultural expansion must be solved by effective management. Since its independence, the country has traveled a tremendous distance and made remarkable progress. To go from a country that relied solely on agriculture to secure its food supply to a country that relies on agriculture as a significant source of economic growth.



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